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Optimising Organisations' Human Capital

The Employer's Guide

Ciuci Consulting

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Introduction

Nigerian companies continue to struggle with the human resource challenge which is reflected in the high employee churn rates across industries, the delivery of poor quality service as a result of the incompetence of employees, and a pool of ill-equipped graduates and job seekers to choose from. These factors highlight the shortcomings of an ailing educational system that has become more of a hindrance than anything else to the sustainable development of the country. As a consequence of this, employers resorted to 'poaching' high performing individuals as a means of recruiting. With the global economic recession and its effect on the flow of revenue to businesses, it has become apparent that poaching is an unsustainable option. . Employers and decision makers in human capital management functions are now forced to seek new ways to build successful organizations with high performing employees amidst declining training budgets, wages and remuneration packages.

A sound human capital development framework is a valuable asset an organization should possess as it allows people within the organization develop the know-how and skills required for their specific functions. Such a framework ultimately impacts the organization both structurally and financially as the people become better empowered to make relevant contributions towards growing the organization.

This report was written to highlight the gaps in the quality of human capital in Nigeria with the objective of finding ways to improve employee productivity within organizations. The report also presents findings from a survey that was carried out to ascertain the training needs of individuals and entrepreneurs in various functions and across several industries within the Nigerian economy.

Measuring the knowledge gap in Nigeria

According to a United Nations Development Program (UNDP) report on Human Development Index (HDI), Nigeria ranks 158th in human development index. Countries that rank within the same range include Uganda, Togo and Malawi amongst others. Despite the size of its population, Nigeria has been unable to harness its human resources in a way that supports its development, even as research conducted by the European Journal reveals that there is a correlation between smarter and better trained workers and their impact on the success of a company as well as the economic prosperity of a country.

The state of human capital development in Nigeria is quite deplorable due to the dysfunctional educational system and this has made wealthy Nigerians resort to sending their children to expensive private schools or foreign schools in some cases. Companies are not left out, as they have to compete for the limited talent available in the labour market. Those who can afford it have chosen to hire foreigners as full time staff, or recruit returnee Nigerians from the diaspora. Others have elected to secure the services of consulting firms that provide them with functional support, which should otherwise be done by mid level managers or permanent employees.

Nigeria's Human Capital Development (HCD) challenge

According to UNDP Human Capital Index, 28% of adults in Nigeria above the age of 15 are illiterate. With a labour force of 50.7 million people (2009), the rate of unemployment is estimated at 19.7% according to the National Bureau of Statistics (NBS). Of those unemployed, 70% are youth between the ages of 15 — 25. This poses a major challenge to sustainable development of the country.

Another cause for concern is the emigration of Nigerian professionals to developed countries in pursuit of “greener pastures”. About 1.2 million Nigerians emigrate yearly and an estimated 53.1% of these individuals have attained tertiary education. These losses are made worse by the fact that those emigrating are not merely unskilled workers, but skilled professionals who possess the potential to make significant contributions towards the economic development of the country.

Three main factors could be said to be responsible for the poor quality of Nigeria's human capital. They include:

FACTORS	NOTES
<p>The deterioration of educational Institutions in Nigeria</p>	<ul style="list-style-type: none"> The quality of educational institutions in Nigeria especially public schools has continued to decline due to the use of out-dated curricula, the poor state of infrastructural facilities, the poor quality of teaching staff and the incompetent leaders within these institutions. Other factors include the decrease in funds allocated to the sector by the government and the lack of a clear policy direction or roadmap for the educational sector
<p>Incompetent leadership</p>	<ul style="list-style-type: none"> The absence of visionary leaders in the country has greatly affected the development of the educational sector in the country. The instability experienced over the course of the country's history and the appointment of Ministers and policy makers based on ethnic and political factors rather than merit greatly contributed to the decline in the sector
<p>Cultural predispositions</p>	<ul style="list-style-type: none"> People in certain parts of the country, especially in the north are unfavourably disposed to western education and as such discourage their children from attending schools . Women are also not encouraged to attend schools in some parts of the country, based on certain preconceptions and this has led to a situation where women have become disadvantaged in terms of education when compared to men.. According to the 2009 UNDP Human Development Report, Nigeria ranks 133rd in Gender-related Development Index

Economies	Countries	GDP 2009 (in \$ millions)	2009 Population (approx. in millions)	GDP per capita (in dollars)	Pop/GDP Ratio
Top Global Economies	US	14,256,275	310	46,022	46%
	Japan	5,068,059	127	39,786	39%
	China	4,098,982	1,339	3,061	30%
Top African Economies	South Africa	287,219	49	5,823	6%
	Egypt	187,954	79	2,387	2%
	Nigeria	173,428	158	1,095	1%
Other Emerging Economies	Brazil	1,574,039	193	8,145	8%
	India	1,235,975	1,184	1,044	1%
	Algeria	140,848	35	3,976	4%

Sources: IMF, UN and World Bank statistics

Research has shown that the quality of a country's human capital has a direct impact on its economic and social prowess as more educated people are likely to contribute more meaningfully to the quality of the country's output, thereby quickening the pace of development. In a paper on Human Capital and its role in economic development by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the authors summarize that "...if an overwhelmingly large number of people are literate, even with simple basic education as being able to read newspapers, this may open up the minds of the masses, possibly make them more enlightened workers and perhaps institute some element of discipline in them. These pre-requisites are necessary for large organised production to run efficiently which will lead to rapid growth through mass literacy, better prepared healthy workers and conducive investment friendly government policies. East Asian developing countries seem to have been able to furnish those essential elements of rapid growth at the very early stages of their development."

A review of key socio-economic indicators reveals that Nigeria is still some way off in terms of its level of development and quality of life for the larger population. The table below shows the picture of the economy based on recently available data.

Indicator	Notes
Gross domestic product	<ul style="list-style-type: none"> \$173, 428 million (2009)
Income per capita	<ul style="list-style-type: none"> \$2,400
Life expectancy (at birth)	<ul style="list-style-type: none"> Females: 49 per cent Males: 46 per cent
Literacy rate	<ul style="list-style-type: none"> 57.1%
Level of industrialization	<ul style="list-style-type: none"> Low level of Industrialization
Quality of infrastructural development	<ul style="list-style-type: none"> Poor Infrastructural development Little or no maintenance culture
Political Climate	<ul style="list-style-type: none"> Fairly stable political environment

Source: World Bank , Ciuci Consulting

For the level of human capital development to improve in Nigeria, the federal government needs to clearly outline its vision for the educational system and develop an actionable plan to ensure that the current shortcomings of the system are addressed.

The plan must address the salient issues concerning education and human capital development including funding for education and the promotion of research, as well as the improvement of health care services and by extension the quality of health of citizens, as this is inextricably tied to the quality of a country's human capital.

Study Results

Based on the foregoing, it has been clearly established that the value of a country's human capital can significantly impact the development of the country. In the same vein, the quality of a company's human capital affects the company and the employers because it is directly proportional to the productivity of the employees. Therefore, companies play a significant role in improving the quality of the output of their employees through various strategies among which training and development should be integral parts.

Using training and development as an important element of human capital development, a survey was conducted to show the level of human capital training and development within companies and exhibited by individuals. Respondents across different sectors, functional roles and career levels were surveyed to determine the training needs of individuals in the private and public sectors in Nigeria. The survey was also extended to cover some unemployed individuals. The study was conducted in the Lagos metropolis using a sample of 430 individuals. Questions asked and data collected were analysed along the following categories:

1. **General questions** – These include; demographic information, career level, work experience, primary industry and the functional roles they occupy
2. **Frequency of training or level of training activity across:**
 - a. Industries/Sectors
 - b. Functional roles
 - c. Career levels
3. **Personal Development** — The analysis was conducted to determine the respondent’s level of interest and involvement in personal development activities. This survey covered individuals across the following segments:
Private sector
 - a. Public sector
 - b. Entrepreneurs
 - c. Unemployed
4. **Training preferences of individuals and trends** — The analysis was conducted to understand the behaviour and preferences of the respondents, regarding trainings and other human capital development programs

Survey Responses

1. General Questions:

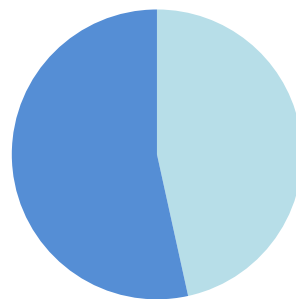
From the background of the respondents, 53% were male and 47% females. The largest age distribution group captured was between the ages of 21 – 30 years (66% of respondents) followed by 31 – 40 years (23%).

Respondents were asked to disclose the level of education they have attained and those with Bachelor in sciences (B.sc) were the most represented (73%) followed by Masters Degree holders (14%). In addition, the respondents were queried about what courses they obtained their first degree in, to better understand their background. Social sciences graduates represented 43% of the respondents, applied and pure sciences 39% and the pure arts 18%.

Summary of respondent's demographic information

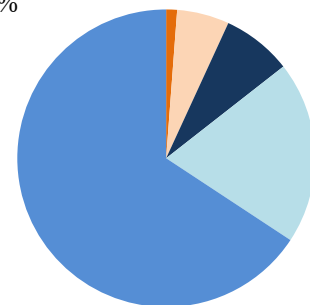
**Chart 1:
Distribution of
Respondents by
Gender and Age**

Male 53%
Female 47%



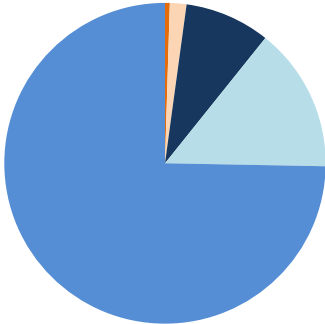
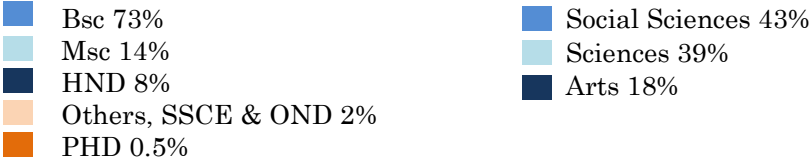
Gender Distribution

21 – 30 Years 61%
31 – 40 Years 20%
21 Years and below 7%
41 – 50 Years 6%
51 and above 1%

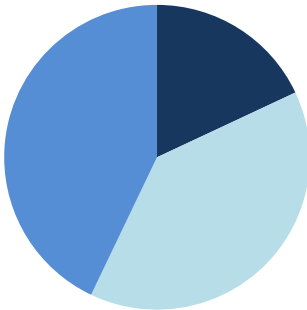


Age Distribution

**Chart 2:
Distribution of Respon-
dents by
Educational
Qualification
and Degree**

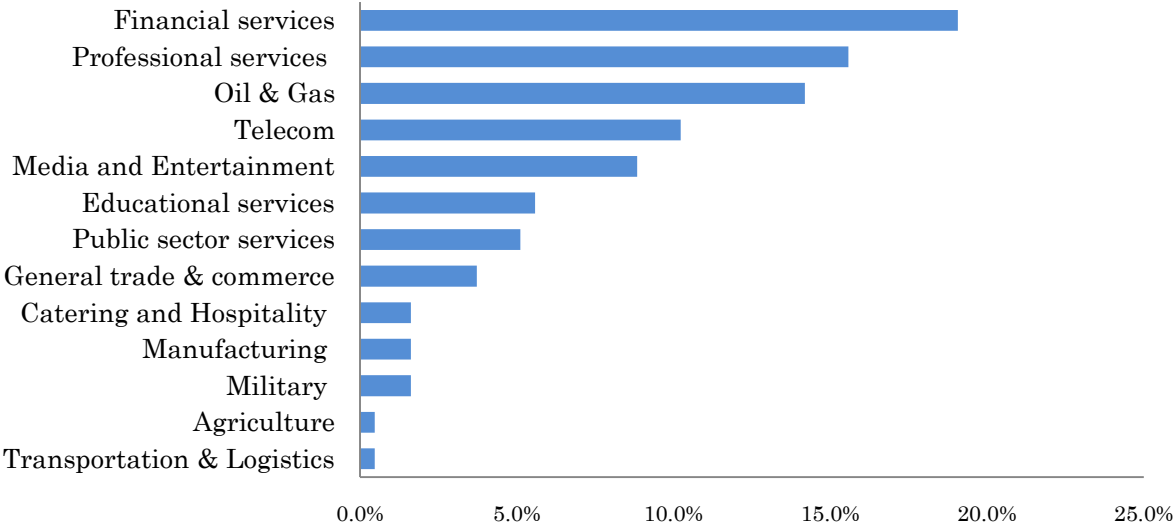


Highest Educational Qualification



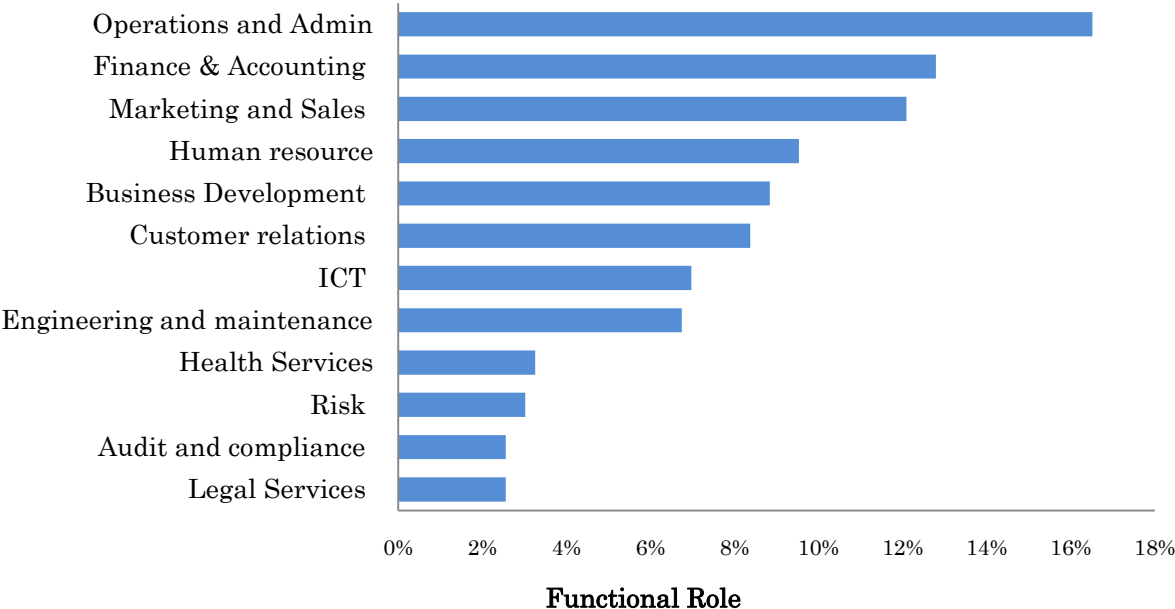
First Degree

**Chart 2:
Distribution of
Respondents
by Industry**

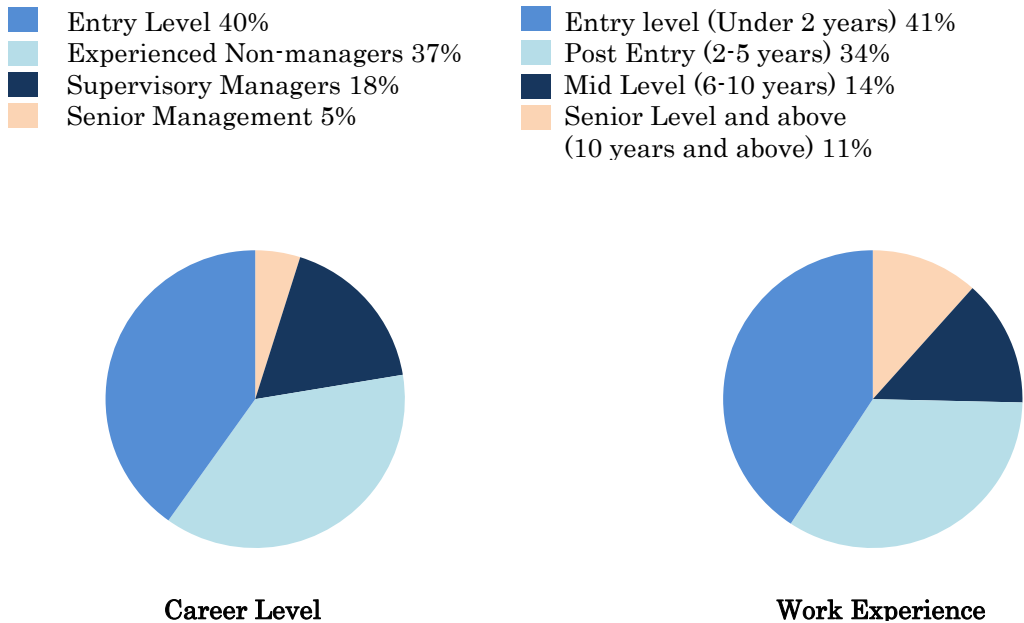


Industries Represented

**Chart 3:
Distribution of
Respondents by
Functional Role**



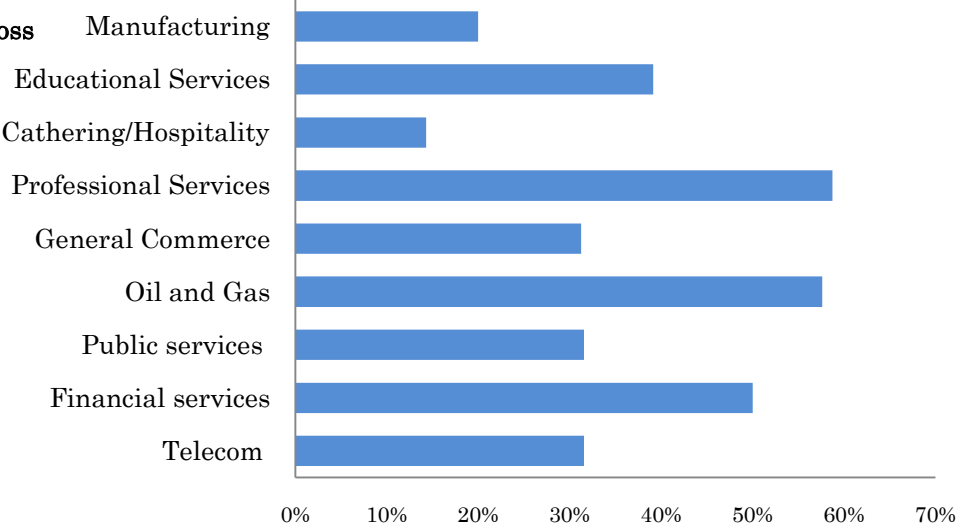
**Chart 4:
Distribution of
Respondents by
Career Level
and Work
Experience**



2. Frequency of training or level of training activities:

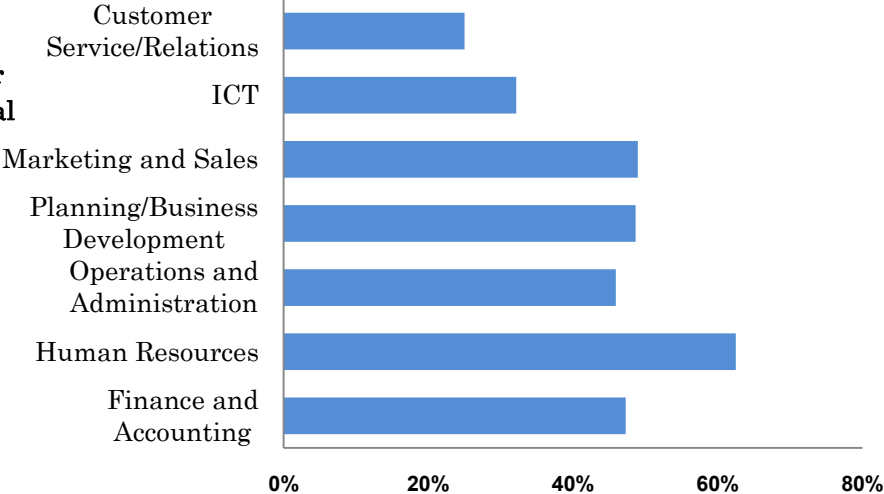
The level of human capital development across sectors was evaluated by considering the frequency of training and development activities in each industry. Training is defined as frequent here if it is carried out at least once a year by a respondent.

Chart 5:
Number of respondents that get trained at least once a year across industries



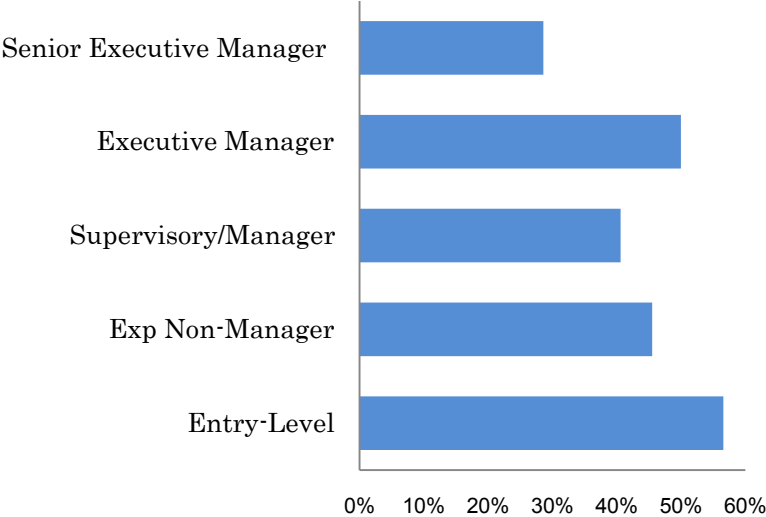
The Professional services, Oil and gas and financial services industries presently rank the highest in terms of the frequency of trainings conducted for employees. For the Telecoms, General commerce and Public sectors, employees are not trained as frequently as they should be. Frequency in these sectors can be termed as average as some form of training is carried out although not as often as should be. Other sectors including the hospitality and manufacturing industries were found to conduct training exercises infrequently

Chart 6:
Number of respondents that get trained at least once a year across functional roles



Regarding functional areas, those that undergo training frequently based on the results include individuals in human resources, marketing & sales and planning/business development functions. Those that undergo training infrequently include individuals in Customer service and ICT functions.

Chart 7:
Number of respondents that get trained at least once a year across career levels



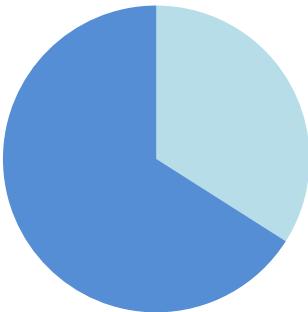
The analysis conducted to ascertain the frequency of training by career level, also revealed that entry-level employees and those in executive management positions receive more training and are involved in more human capital development programs than others. It was discovered that less attention is paid to training those in the mid level i.e. supervisors and managers who arguably are responsible for most of the work carried out within an organization.

3. Personal development

In an attempt to determine people’s interest in human capital development through their participation in personal development initiatives, questions were asked relating to the frequency with which individuals attended self sponsored trainings.

Chart 7:
Number of respondents who attend at least one self sponsored training a year

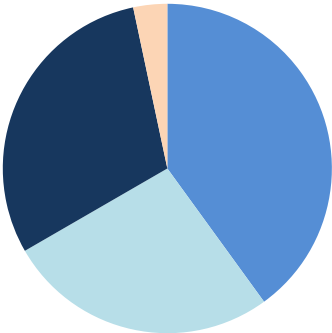
■ One and Less 66%
■ More than One 34%



Few employees attend trainings which they pay for themselves. 34% of respondents attend at least one or more than one self-sponsored training in a year, while 66% of the respondents hardly or never do

Chart 8:
Reasons why some respondents do not attend self sponsored trainings

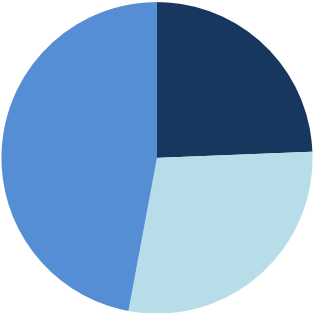
- Lack of Funds 40%
- Engage in Enough Company 30%
- Time Constraints 27%
- Other Reasons 3%



Reasons for the low attendance among respondents include; lack of funds (25%), little or no time to attend (16%) and already receiving enough training from their respective companies (25%). Training companies could explore creative ways to set training times in order to get more attendees.

Chart 9:
Number of respondents who attend self sponsored trainings by segments

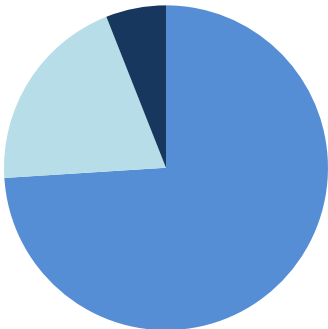
- Unemployed 56%
- Public 34%
- Private 29%



Most self-sponsored training programs attract unemployed individuals totalling 56% ,followed by public sector employees at 34% and then the private sector (29%). Opportunities for training companies lie among the unemployed and public sector employees. This further highlights the gap in HCD among public sector employees.

Chart 10:
The maximum amount of money respondents are willing to spend on self sponsored trainings

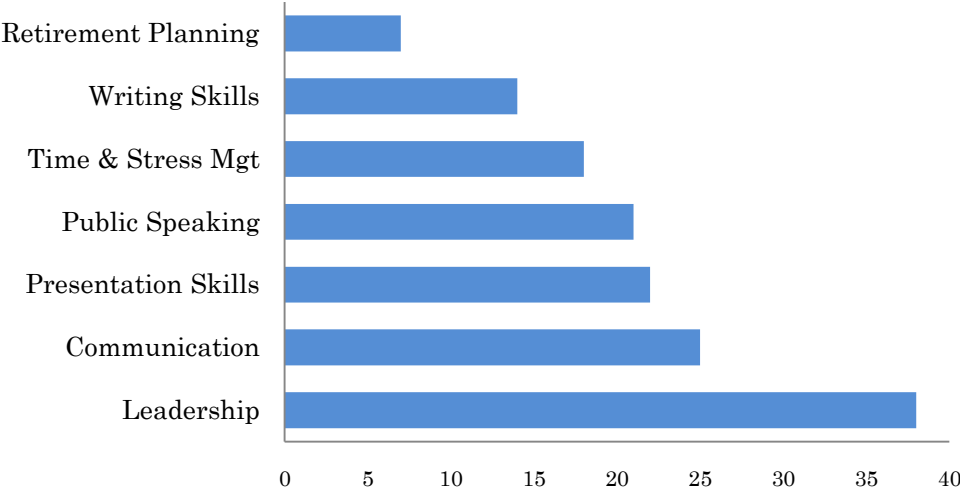
- < 15% of income 74%
- 15-45% of income 20%
- >45% of income 6%



4. Training preferences of individuals and trends

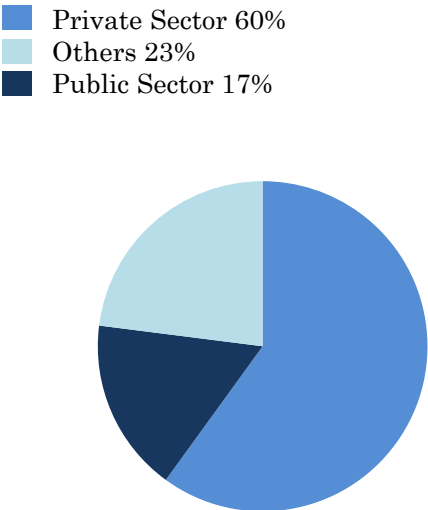
In an attempt to determine the most sought-after non – technical skill set among individuals, respondents were asked their most sought-after soft skill.

Chart 11:
Number of re-
spondents inter-
ested in common
soft skills train-
ings and retire-
ment workshop



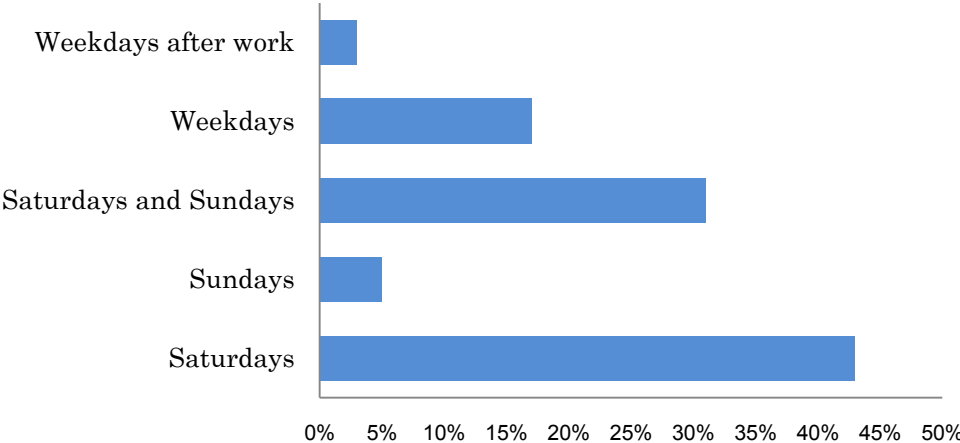
The most sought after soft skills are in the areas of leadership, communication and presentation skills

Chart 12:
Number of re-
spondents inter-
ested in entrepre-
neurship training
across segments



60% of respondents from the private sector indicated interest in entrepreneurship training programs. This could be a potential area which training companies could explore.

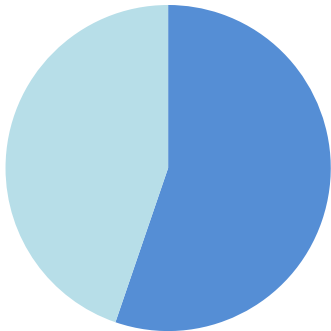
Chart 13:
Respondents most preferred days to attend self sponsored trainings



Saturday still remains the most preferred training day for attending trainings among most respondents (46%).

Chart 14:
Distance of training venue as a factor that could influence the decision of respondents to attend self sponsored training

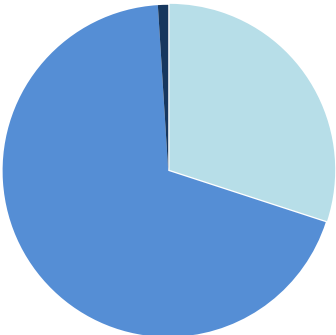
■ Yes, Distance is a factor 52%
■ No, Distance is not is a factor 42%



Distance of the training venue from respondent's residence is a consideration for attending trainings as 52% of respondents pointed out that they would not attend training sessions far away from their homes. This is however based on the assumption that such trainings include, basic workshops and seminars

Chart 14:
Number of respondents considering making career changes within the next 5 years

- Change Industry/Functional Role 69%
- Remain in the Same Industry/Functional Role 30%
- Retire 1%



Developing High Performing Employees (Recommendations)

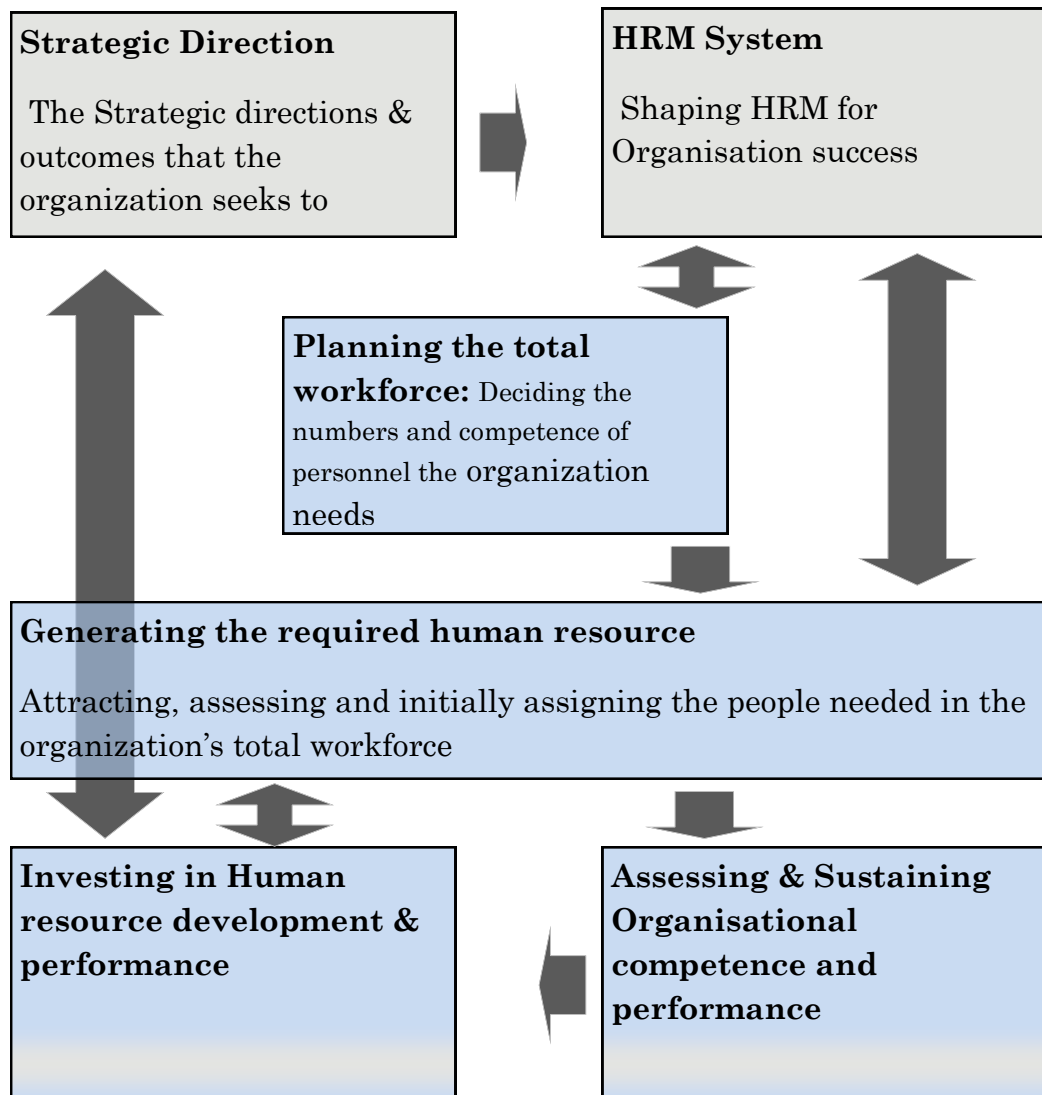
It is an established fact that smarter and better-trained employees increase the chances of success in any organization. For this reason, organizations need to ensure that they devise ways to improve the quality and performance of their employees as this ultimately improves their chances of success. Companies in Nigeria like their global counterparts are faced with typical business related challenges in their day-to-day operations. These occur as a result of the complexities associated with running businesses. Nigerian companies however, face some unique challenges, which are imposed by the peculiar local environment. The ability of managers and executives to overcome these challenges is usually the difference between successful and unsuccessful organizations. Some challenges faced by employers in Nigeria include infrastructural problems, lack of commitment by employees due to the focus on immediate monetary benefits, and low productivity. On the flipside, employees have to grapple with bad leadership, poor working conditions, poorly designed reward and incentive systems, and failure of employers to adhere to laid down labour laws.

The ability of a company to develop high performing employees is a direct function of the company's human resource strategy.

Simply put, a human resource strategy is a plan that articulates all the elements that influence the employees' ability to meet the overall mission and vision of any company. Such a strategy is relevant in that it defines the roles and responsibilities of every function within the company.

According to, Strategic Human Resource Management Systems for the 21st Century by the Naval Personnel Task Force, (September 2000), there are six steps to consider in developing a HR strategy. They include:

1. Setting the strategic direction
 2. Designing the Human Resource Management System
 3. Planning the workforce
 4. Generating the required human resources
 5. Investing in human resource development and performance
 6. Assessing and sustaining organizational competence and performance
-



In order to improve the productivity of employees within organizations, we have identified three areas that companies in Nigeria should focus on. They include;

- Continuous training and development
- Improving working conditions and the atmosphere of the work environment
- Implementing the appropriate performance management sys-

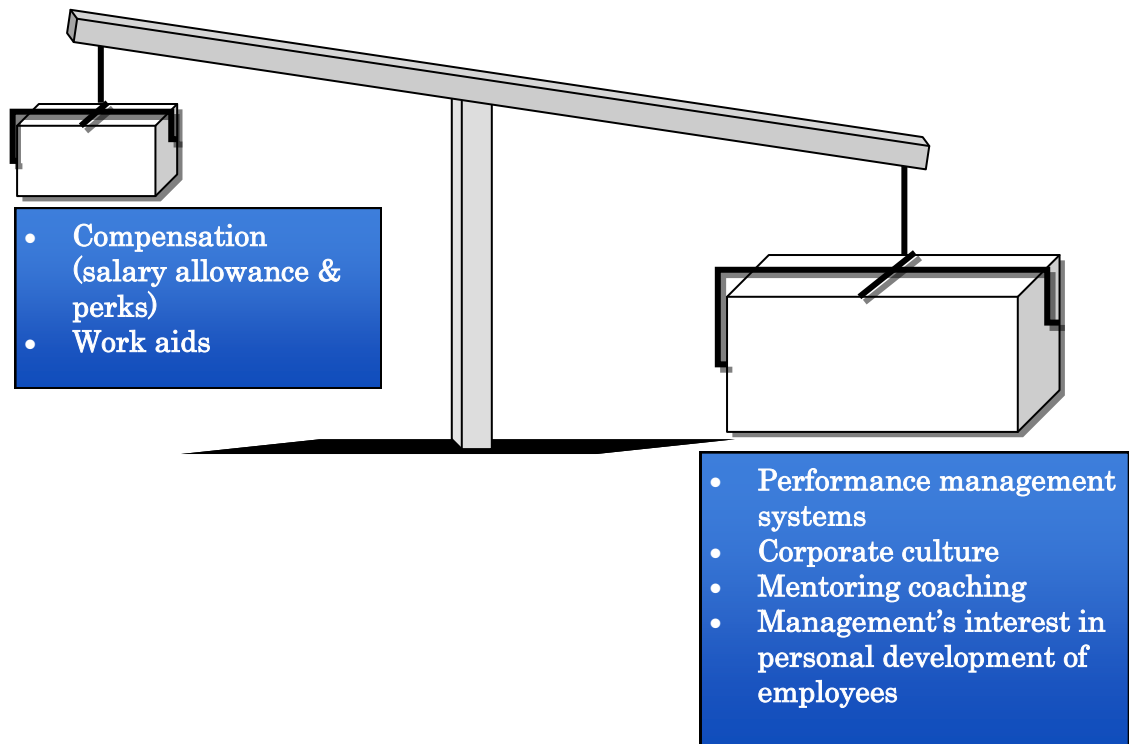
- o Simulations
- o Case studies
- o Business games
- o Role plays
- o Behaviour modelling

Improving Working Conditions and the atmosphere of the work Environment

Working conditions and the atmosphere of the work environment have been observed to significantly influence the level of employee productivity. When productivity degenerates, it manifests in errors made on tasks, the ability of employees to use their initiative and also effectively collaborate with other employees.

According to workforce management, top talent are initially attracted by tangible factors that make a job attractive. They however stay and engage based on intangible incentives and other factors that make the environment conducive. The attractiveness of a job or position therefore comprises of a combination of tangible and intangible factors, which influence employees' decision to remain in a company. The tangible factors include all physical incentives received, in forms of financial and non – financial compensation, such as the salary and other tangible benefits like official cars, residence, travel opportunities etc. The intangible factors include; the leadership style of the company's management, the performance evaluation systems in place, the company values and policies on vacation and holidays as well as other welfare issues.

**Tangible and intangible factors that influence an employee's
decision to stay longer on the job**



In making the work environment of any company accommodating and conducive for the employees, employers should focus on improving the intangible benefits that contribute to making the environment what it is. By examining some companies renowned for their ability to attract and retain employees as well as to consistently get employees to perform at the highest levels, we are able to understand some of the factors that contribute towards improving employee productivity.

It should be noted that some of the practices in these firms might not be applicable in Nigeria due to the nature of the local environment. Nigerian companies therefore have to develop unique methods of creating their own ‘utopian’ environment

No	COMPANIES	INDUSTRY	COUNTRY	CRITERIA
1	SAS	Software	US	<ul style="list-style-type: none"> • Health care bonuses • Unlimited sick days • Recreational programs
2	Edward Jones	Investment Advisory	US	<ul style="list-style-type: none"> • Weathered the recession without retrenchment • Profit sharing continued even during the recession
3	Wegmans	Food	US	<ul style="list-style-type: none"> • It has never had a layoff in its 94-year history. • High staff retention rate
4	Google	Research	US	<ul style="list-style-type: none"> • Stock-option exchange program • Freedom to choose projects areas
5	Nugget Market	Supermarket	US	<ul style="list-style-type: none"> • Staff discounts on good purchased during the recession
6	DreamWorks Animations	Media	US	<ul style="list-style-type: none"> • Culture of collaboration and openness

Source : CNN Money 2010

Continuous training and development

Most companies, especially large corporations and multinationals appreciate the value of training employees as a critical success factor. The question that remains is why corporate training programs do not seem to be effective and are often not appreciated by staff. We have identified six factors, which we believe play a role in determining the effectiveness of training and development in any organization. They include:

- **Understanding employee training needs and tying these to the demands of the functions** – developing an accurate method for assessing training needs of employees as the organization and employees evolve
 - **Facilitator mix** – finding the right mix of in house and outsourced facilitators to conduct trainings
 - **Relevant content** – designing the content of training programs appropriately to capture the essence of the subjects or concepts to be taught and appropriately addressing them such that training will be high impact.
 - **Training Time** – finding the most suitable and flexible time to train staff. This is relevant to any organization because employees must be fit and relaxed if training is to be effective
 - **Training methods** – employers must adopt contemporary training techniques to make such trainings effective. Some of these could include the use of videos and computer aided learning tools, team learning and grouping of participants and the use of presentations. Others include:
-

No	COMPANIES	INDUSTRY	COUNTRY	CRITERIA
7	NetApp	Networking	US	<ul style="list-style-type: none"> • Stock-option exchange program • Staff compensations • Seamless communication lines
8	Boston Consulting Group	Consulting	US	<ul style="list-style-type: none"> • Attractive salary and bonuses
9	Qualcomm	Networking	US	<ul style="list-style-type: none"> • Stock-option exchange program • Recreational programs
10	Camden Property Trust	Real Estate	US	<ul style="list-style-type: none"> • Seamless communication lines

Source : CNN Money 2010

In summary Nigerian employers should pay attention to the following;

- **Personal development of employees** – companies must understand the career objectives and development needs of their employees and work to harmonise both with the company's expectation of the employees. From the CEO, to the managers down to the other supervisors and managers, there should be an understanding of what is required at each level including subordinate levels and training programs should be design ed based on this.

- **Cultivating a culture of good leadership and mentoring in the workplace** – According to the Ashridge journal, leadership is effective when there is a combination of knowledge, skill, good attitude and reflexive abilities through systematic thinking and embracing diversity. On the other hand mentoring within organizations should be a well-structured program. Mentoring is effective through teaching, encouragement, counsel and friendliness. When good leadership and mentoring skills are exhibited within any organization, communication will be effective and healthy professional relationships that promote productivity will be exhibited among employees.
 - **A fair compensation plan** – Even if employees are not paid as high as the industry average salary, there is a need for a clear commitment on the part of management to meet the expectation of such employees in the future or a fair and reasonable performance management system that rewards hard work through financial incentives.
-

Performance Management

The competitive nature of today's business environment demands that organizations that seek to remain relevant should develop highly focused performance management processes. An effective performance management system not only establishes a framework that ensures that employees perform optimally but also enables managers to communicate strategic goals to employees, set standards and targets: financial and non-financials, diagnose potential problems and devise corrective measures where necessary.

Steps to optimizing the performance management process

Performance management is erroneously assumed to involve just employee performance appraisal or evaluation. The concept, however, involves much more. Aspects of the system include:

- Communicating and disseminating information to ensure that all stakeholders understand the objective of the entire process.
 - Setting realistic targets (financial and non-financial) that not only define what is expected, but also how it should be achieved
 - Drawing up performance plans through collaborative efforts between managers and employees that detail action plans designed to enable the achievement of the set goals.
-

- Ensuring that goal setting, performance planning, performance monitoring, feedback and coaching is an ongoing process that supports performance appraisals, related rewards, learning and development.
- Tracking goals regularly, as this gives room for early feedback, adjusting to performance plans, tackling obstacles and preparing back up plans for missed deadlines.
- Gathering performance information from a variety of sources as this increases objectivity and ensures all factors impacting performance are considered. This information can be retrieved from financial target reports, deadline reports, feedback from others and personal observation.
- Summarizing all that has been discussed for the employee performance appraisal or review is the final step. Based upon job expectations and key areas of contribution and previously discussed goals and evaluation methods, the appraisal should be a written confirmation of what has already been discussed with the employee.

In summary, achieving effective performance management is not an easy task. However, with clear goals, consistent monitoring, regular individual analysis and company-wide appraisals, it becomes easy to identify corporate competencies and skill gaps. With this valuable data in hand, companies can easily identify the training needs of their employees and address them.

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